



The Inland Port of Virginia

7685 Winchester Road
Front Royal, VA 22630

NWH/KTS New Entity Formation Proposal September 1st, 2016

Business Proposal: To create a hardwood log export trading entity that leverages the timber assets, financial resources and global footprint of NWH *with* the proprietary systems, logistics and inland port intermodal access gateway strategy, merchant supply relationships and existing foreign trade relationships, contracts and commercial contacts of KTS in order to establish the de facto market share leader in a \$600,000,000 market opportunity.

Proposed Structure: Understanding that much needs to be discussed in order to finalize an appropriate final structure, there are two discreet elements to probe and consider at the meeting:

- **Ownership** – It is contemplated that NWH will own the entity with a minority stake held with KTS that represents its long-term incentive to create value over time.
- **Governance and Management** – We propose that our team operate, manage and coordinate the high growth rollout of the new entity under the governance and fiduciary structures of NWH. A new organizational structure will be established to include contributions in people, rolling stock (trucking assets and trailers) and IT systems that will instantly create the revenue and profit producing entity.

1) Export Log Marketing & Sales (Tom Mereen)

- Definition of goals for next 3 years
- Establish and develop the NWH export log brand strategy
- Strategic advantages of scale and velocity
- Grade strategy
- Procurement methodology
- FSC COC options and business development
- Customer development & contract management
- Sales force utilization
- Logs-veneer/plywood mill- plywood purchase triangulation
- In-country support: claims negotiation & customer feedback

2) Export Logs and Lumber Logistics Management – Turnkey (Dave Steffens)

- Customer development, quick quotes & contract management
- Procurement management against contracts
- In-bound OTR management & optimization
- Domestic bulk freight management & receiving
- Single unit inventory receiving and controls
- Quality control and final material merchandising
- Fumigation and other VAS
- Order picking, work-orders and fulfillment
- KTS BCO freight booking services, documentation and final FF services

3) Capital Asset Strategy (Bill Ellis)

- Determine then implement a fixed asset plan
- Integrate the NWH inland transportation asset base, combine the KTS trucking assets
- Develop a 3rd party import container delivery revenue and profit model
- Set ROA goals and metrics

4) Intellectual Property, IT Software Systems Development and Integration (Dave Steffens)

- KTS has invested over 5000 hours in the proprietary development and deployment of a comprehensive Enterprise Management System (EMS).
- The EMS was built around best practices of the logistics and supply-chain industry and has been further tailored to fully address bulk-2-container export and single-unit traceability requirements for the Forest and Agricultural products industries.
- The EMS platform is entirely cloud-based, providing anytime-anywhere access to all business functions. Additionally, cross-integration to supply-chain partners is easily accomplished through both new generation API connectivity or through CSV file transfers.
- Among its vast capabilities, the EMS features:
 - Comprehensive quote and contract management, including price guidance systems.
 - Fully integrated order fulfillment and inventory management.
 - Complete export logistics and documentation systems, including a highly scalable BCO and Freight Forwarding systems.
 - 3rd Party logistics management with single unit traceability.
 - Fumigation management and Governmental Reporting.
 - Complete financial reporting.

5) Financial Planning, Management & Analysis (Bill Ellis)

- Establish the trade credit facility and bank financing
- Establish and enforce trade credit procedures
- Risk Management
- Operating & Sales budgeting and forecasting
- Inventory, Treasury & Cash flow management
- Financial controls & audit
- Financial KPI's and analytics
- Financial reporting